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SUBJECT: TRINIDAD ECONOMIC HIGHLIGHTS JULY, PART 1

The following were notable economic issues in T&T during the first half of July:

- (1) Caribbean Star/Sun expanding operations
- (2) Energy minister lauds chemical facilities
- (3) Agriculture minister calls for change
- (4) NGO ranks T&T on economic freedom

1. Caribbean Star/Sun expanding operations in T&T

To better support an expansion in service from Trinidad, Caribbean Star Airlines has established a new crew base and maintenance facility at Piarco Airport in Port of Spain. The new crew base will enable the airline to position two-to-three aircraft full time at Piarco Airport (POS). In April, Caribbean Sun, Caribbean Stars sister carrier, launched daily flights between Trinidad and Antigua. The route proved so successful that Caribbean Star added new flights as well. Further enhancing its Port of Spain operation, Caribbean Star will resume daily service between Trinidad and Guyana, a route previously flown from 2002 to 2004. Both Caribbean Star and Caribbean Sun offer daily service between Trinidad and islands throughout the region. Caribbean Star inaugurated service to Trinidad in 2000, while its flights to Tobago started in 2002. Caribbean Sun flights to Trinidad began in February 2006. COMMENT: the expansion of Caribbean Sun to T&T has effectively opened up USAir service via San Juan to Trinidad. USAir has alliances with the GoCaribbean Network, which includes Caribbean Sun and Caribbean Star. End comment.

2. Energy minister lauds chemical facilities
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In statements made in Parliament earlier this month, Energy Minister Lenny Saith said that T&T would only get wealthier in the future with the investment of US\$1.564 billion for the establishment of an ethylene complex and a maleic anhydride processing facility. According to Saith, both projects will create over 5,600 jobs during construction and a total of 540 permanent positions. He added that close to 6,000 sustainable jobs would be generated through the stimulation of new businesses in a wide range of new downstream manufacturing activities. The ethylene complex will be constructed on 250 acres of land yet to be identified, and would be done in three phases with construction scheduled to start in the last quarter of 2007. The US\$1.5 billion facility would be

funded by equity (30 percent) and debt (70 percent). Meanwhile, ISEGEN (PTY) Ltd, a company incorporated in South Africa, will operate the maleic anhydride facility. Maleic anhydride is an intermediate chemical widely used in the industries for food and beverage products, pharmaceuticals, resins, oil additives, detergents, and agricultural products. In 2005, ISEGEN and Phoenix Park Gas Processors of T&T (minority-owned by ConocoPhillips) signed a memorandum of understanding (MOU) for the US\$64 million facility, with construction expected to begin in the third or fourth quarter of 2008.

13. Agriculture minister calls for change

Agriculture Minister Jarette Narine has called for more efficient use of the resources allocated to the agricultural sector. Speaking at the opening of the 2006 Farmers Forum on July 14th, Narine said that the Government had earmarked some 15,000 acres of land for further distribution to former Caroni (1975) employees, with a view to "reducing the price of food." (NOTE: Caroni is the former government-owned sugar cane company, which closed down roughly five years ago.) In addition, Narine announced that the GOTT plans to go into business with the private sector in large agricultural projects, targeted for specific industrial commodities, on some of the remaining Caroni lands. The Minister elaborated on other endeavors being pursued to enhance efficiency in agriculture, such as the development of a database for crop forecasting and relief payments to food crop farmers as a means of improving documentation, which he went on to qualify as being crucial to the proper

PORT OF SP 00000884 002 OF 002

functioning of any business, including agriculture.

14. Canadian institute ranks T&T on economic freedom

Local media has publicized a report by the Fraser Institute of Canada on Economic Freedom of the World, which was issued in September 2005. The Institute defines economic freedom as the freedom to engage in economic transactions without government interference but with government support of the institutions necessary for that freedom, including rule of law, sound money and open markets. On a ten-point scale, Trinidad received a 6.8 rating in the 2005 report, ranking it 44th in the world. The report is based on 2003 data. This is an improvement from the 1980 figure of 5.1, when the first analysis was conducted. The 6.8 rating, however, marks a decrease from the T&T 2001 rating of 7.1. Posts review of the reports analysis on the contributing elements confirms that the main factor behind the decline was a loss of confidence in the legal system and a decline in the score for judicial independence. Another trend identified by the report is the increase in the size of government. Within the region, Jamaica was the only Caricom country to rank ahead of T&T. COMMENT: Given the sharp increase in GOTT-owned companies and expenditures since 2004, coupled with the ongoing GOTT attempt to remove the chief justice from office, we expect to see a worsening of the T&T ranking in the next edition of the Fraser Institute report.

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